

NCUA News

Shares, Assets and Members Increased in 1998

Despite the expansion limitations many credit unions have endured for the past few years, assets and shares grew significantly and the number of members increased steadily according to Dec. 31, 1998, Call Report data submitted by the nation's 10,995 federally insured credit unions.

Double digit savings growth provided an influx of funds that was primarily placed into investments while credit union lending grew 5.8 percent. Highlights of 1998 follow:

- Membership grew by 3 percent to 73.54 million people;
- Assets grew 10.7 percent, up from \$351.2 to \$388.7 billion;
- Loans grew 5.8 percent, up from \$232.2 to \$245.7 billion;

- Savings grew 10.7 percent, up from \$307.2 to \$339.99 billion;
- Investments grew 21.4 percent, up from \$102.7 to \$124.6 billion;
- Income grew 6.7 percent, up from \$28.5 to \$30.4 billion;
- Net capital declined from 11.1 to 10.9 percent;
- Delinquencies declined from 1.0 to 0.9 percent; and the
- Loan to share ratio declined from 75.6 to 72.3 percent.

While total loan growth slowed somewhat from its 1997 rate, first mortgage real estate loans surged 18.3 percent in 1998, increasing from \$51.9 to \$61.3 billion. First mortgage real estate

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March 1, 1999, NCUA Headquarters — Chairman Norman E. D'Amours shakes hands with Deputy Governor Shi Jiliang of the People's Bank of China as they exchange signed Documents of Cooperation describing the terms of agreement "to enhance mutual understanding and cooperation" between both parties in the field of supervision and regulation of cooperative financial institutions.

The "immediate family member" and well defined "local community" provisions of IRPS 99-1 became effective March 5, 1999.

March/April 1999, Number 2

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Charter Expansion Lawsuit

U.S. District Court Judge Colleen Kollar-Kotelly issued a 52-page opinion on March 10, 1999, denying the American Bankers Association's request for a preliminary injunction designed to prevent federal credit unions from expanding under NCUA's new chartering rule, IRPS 99-1. Oral arguments were heard on March 1.

The ABA lawsuit seeks to prohibit the effectiveness of IRPS 99-1 on seven separate substantive grounds. The judge considered and rejected the ABA's arguments, concluding that "without any probability of prevailing on the merits, the Plaintiffs' purported injuries, no matter how compelling, do not justify preliminary injunctive relief."

Meanwhile, as a result of this decision, IRPS 99-1 remains in effect and credit unions can continue to add select employee groups.

All parties are expected to file motions for summary judgment within the next 30-60 days. After considering those motions and oral arguments, the Judge will render a final decision in the case.

NCUA Board Upholds FOM Regulation



February 3, 1999 — NCUA Board Members testify before the House Financial Institutions Subcommittee on the agency's new chartering and field of membership policy.

In a rare opportunity, all three NCUA Board Members appeared before the House Financial Institutions Subcommittee on February 3, 1999, to testify on the agency's new rule implementing Title I of the *Credit Union Membership Access Act, IRPS 99-1*. The following are excerpts of the NCUA Board's testimony.

Chairman Norman E. D'Amours

"In my view, IRPS 99-1, as approved by the NCUA Board, will pass judicial review. Differing opinions about policy matters are not uncommon on our Board."

"Approximately 3,100 existing federal credit unions — 45 percent currently have potential fields of membership of

under 3,000. The great majority of these credit unions are highly rated in terms of their safety and soundness of operation. Yet our rule perversely assumes they are, by definition, of questionable viability. Setting the floor at 3,000 is much too high and discourages the formation of new credit unions."

"NCUA abandoned the use of exclusionary clauses even if the overlap was found to present a threat to the safe and sound operations of overlapped credit unions. In my view, a disregard of the safety and soundness effects of community overlaps damages the traditional spirit of cooperation among credit unions, discriminates against small, non-community credit unions and threatens the viability of the overlapped credit unions."

Board Member Yolanda T. Wheat

"I am confident that we have developed a policy which falls within a reasonable construction of the language of the *Credit Union Membership Access Act*. The policy emphasizes the formation of new credit unions and also addresses the safety and soundness concerns associated with the chartering and/or expansion of new or existing credit unions. With the adoption of the revised *Chartering and Field of Membership Manual*, significant progress has been made in carrying out the statutory requirements; however, much work remains."

Board Member Dennis Dollar

"NCUA specifically stated in the Chartering Manual that any size group can apply for a credit union charter and be approved if they demonstrate economic advisability. Common sense and experience dictates that the smaller the group, the more difficult it is to form a successful credit union. However, that does not mean NCUA will not charter a small group that is economically viable. Such a determination is fact specific."

"This 3,000 number is not intended to undermine the statutory requirement to encourage the formation of new credit unions. Rather, it has been established to provide groups necessary advice and guidance when seeking to charter a new credit union."

BOARD ACTIONS MARCH 18, 1999

NCUA Board Endorses National Small Credit Union Program

At its March meeting, the NCUA Board endorsed a national program to accomplish the Board's goals of promoting the development of successful, financially healthy small credit unions and to encourage the formation of new credit unions. The program will be available to federal credit unions as well as state-chartered, federally insured credit unions.

The national Small Credit Union Program (SCUP) is designed to encompass the policy initiatives of the Board and to provide consistent emphasis and guidance to the programs currently being implemented by the agency's six regional offices.

The critical component of the national Small Credit Union Program continues to be the Economic Development Specialists (EDSs) who provide mentoring and other services to small credit unions that need and want additional attention. The Board re-authorized six additional EDS positions for 1999.

The purpose of the SCUP is to:

- promote credit union service to people of modest means;
- increase access to credit unions for individuals in underserved communities by fostering a regulatory environment in which small, newly chartered and low-income credit unions can provide appropriate and needed services to members;
- promote successful, financially healthy small credit unions through appropriate technical and financial assistance; and
- facilitate a regulatory environment that empowers small credit unions to better promote and provide credit union service to their members.

Credit unions eligible for the program include:

- federal credit unions with assets under \$5 million;
- newly chartered credit unions (those which have been in existence 10 years or less and with assets under \$10 million); and

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NCUA News

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures credit unions.

Norman D'Amours, Chairman
Yolanda T. Wheat, Board Member
Dennis Dollar, Board Member

Information about NCUA and its services may be secured by writing to the Office of Public and Congressional Affairs, or by calling 703-518-6300. News of what is happening at NCUA is available by calling 800-755-1030 or 703-518-6339.

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BOARD ACTIONS - JANUARY 28, 1999

NCUA 1999 Annual Performance Plan

The NCUA Board reviewed and approved the agency's 1999 Annual Performance Plan based on requirements of the Government Performance and Results Act. The performance plan sets measurable goals that define what will be accomplished during the year. Accomplishments are to be aligned with allocated resources.

This year's plan is more results oriented. It focuses on outcome rather than output, expands discussion of specific 1999 strategies, has better baseline data to provide rationale for specific performance goals.

The plan highlights "crosscutting" areas where NCUA has cooperated with fellow financial regulatory agencies, the states, and other government entities. The plan also identifies the connection between strategies and results and the resources used to achieve goals.

The adopted plan will be submitted to OMB and Congress and posted on NCUA's web site. A quarterly performance reporting system is also being implemented. NCUA will submit its first

annual evaluation of the plan to Congress in March 2000.

Assessment of Civil Money Penalties

The NCUA Board adopted the revised Federal Financial Institution Examination Council interagency policy that provides general guidance concerning the criteria used to determine and assess civil money penalties. The *Examiner's Guide* will be updated to elaborate on the policy.

18 Percent Interest Rate Ceiling Extended

The NCUA Board voted to extend the 18-percent loan interest rate ceiling for an additional 18 months based on the condition of the financial markets. Treasury yields are now 20-50 basis points above October 1, 1998, rates, depending on their maturity, and every indication is yields will remain above these levels into March 1999, when the 18-percent ceiling was set to expire.

Allowing the interest rate ceiling to revert to the mandated 15-percent level could adversely affect the safety and

soundness of a number of credit unions, especially smaller institutions. It would also make it difficult for many credit unions to extend loans to more risky borrowers, forcing these members to borrow from other, perhaps more expensive sources.

Chartering Activity Charter Conversion Requests

The NCUA Board approved the request of **CBC Federal Credit Union**, Port Hueneme, Calif., to convert from an occupational to a community-based charter serving the people who live, work, worship and attend school, and businesses and other legal entities in Ventura County, Calif.

The \$113.1 million credit union has gained the authority to provide credit union service to the potential 717,400 people in Ventura County.

El Paso Employees FCU, El Paso, Texas, gained NCUA Board approval to convert from a multiple group to a community charter able to serve the people

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BOARD ACTIONS - FEBRUARY 24, 1999

Share Insurance Fund Report

The National Credit Union Administration Share Insurance Fund (NCUSIF) performed very well in 1998. Net income was a record \$169 million while gross income was \$220 million. The Fund is projected to earn about \$226 million in 1999.

No funds have been added to the reserve account for insurance losses since

April 1994 because established reserves are more than sufficient to cover all insurance charges. The current Fund reserve balance is \$79 million — \$15.1 million is earmarked for specific, known, or potential losses and \$64 million is unallocated. As of January 31, 1999, two credit unions had failed in 1999 at a cost of \$138,000.

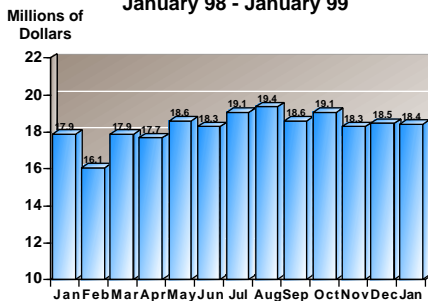
Eighteen credit unions failed in 1998 at a cost of \$13.6 million — 5 merged

with assistance and 13 liquidated. During 1998, net charges to available reserves of \$2.2 million resulted from new charges of \$5 million and recoveries of \$2.8 million.

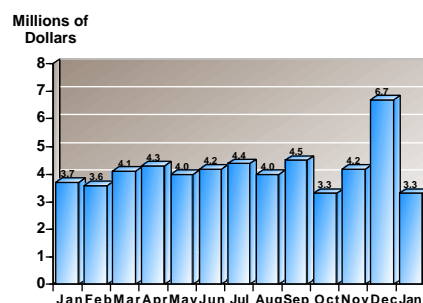
The NCUSIF equity to insured share ratio is 1.28 percent due to recently adjusting the insured-share base to December 31, 1998, figures. The Fund's equity ratio is expected to rise during the year to

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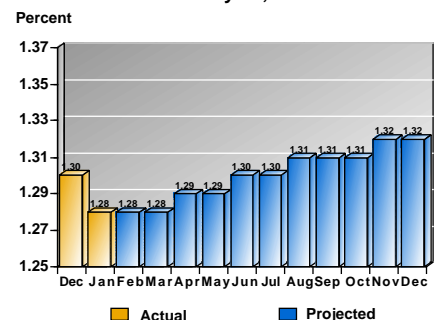
Gross Income
January 98 - January 99



Operating Expenses
January 98 - January 99



NCUSIF Equity Ratio
January 31, 1999





Chairman D'Amours Talks Credit Unions on Wall Street

NCUA Chairman Norman E. D'Amours in January cautioned an audience at the 2nd Anniversary Wall Street Project Conference at the World Trade Center in New York City that increased business investment in low-income areas would be only a half step without equal emphasis on developing what he called "community-controlled engines of change."

"If underserved inner cities and rural areas are to improve the economic well-being of their residents in a meaningful and lasting way, they must increase the emphasis on developing community-controlled financial institutions, like credit unions," said D'Amours.

"It is these non-profit, community-controlled credit unions which have historically acted as engines of change for their residents," said D'Amours, noting that credit unions have traditionally been introduced into minority and ethnic communities through churches. Currently, the United States has more than 700 church-affiliated credit unions, ranging from \$36,000 to \$120 million in assets.

The two-day conference was sponsored by the Rainbow/PUSH Coalition and was aimed at convincing corporate America that it is good business to invest in the nation's underserved inner cities and rural communities. It brought together African Ameri-

can clergy and business professionals, corporate leaders, and federal government officials under the theme: "Building Trading Partnerships to Expand the Marketplace."

"Our aim is to build bridges from corporate America to underserved areas where there are untapped markets and underused talent," said the Rev. Jesse Jackson, Sr, founder of the Rainbow/Push Coalition. President Clinton addressed the gathering on Day 2, outlining a series of proposals aimed at spurring private investment in low-income communities.

"I join the President and Rev. Jackson in urging more private sector investment in poor communities, and I commend them both for their commitment," D'Amours told the audience. "But such investment must be complimented by the development of mechanisms such as credit unions to insure that these funds stay in, and are recycled through, these same neighborhoods."

Also addressing the Wall Street Conference were Treasury Secretary Robert Rubin, Labor Secretary Alexis Herman, HUD Secretary Andrew Cuomo, House Minority Leader Richard Gephardt, and the heads of the Small Business Administration, Federal Housing Finance Board, Federal Communications Commission, and the Federal Trade Commission.



During a discussion about the Church and the Marketplace, Chairman D'Amours shared ways in which churches have historically and are currently using credit unions as a vehicle for community change. Pictured with D'Amours is Rev. Jesse Jackson.



Pictured with Chairman D'Amours outside the new home of the Christian Hope Credit Union on Chicago's southside are Co-pastor Dr. Charles Koen; Sarah Vega, director of the Illinois Dept. of Financial Institutions; Board Chairman Rev. Anthony Vickers; and Deacon Joseph Maxwell.

NCP Community Development FCU Chartered in Norfolk

On January 11, the National Credit Union Administration chartered the first federal credit union of 1999 to serve low-income, urban neighborhoods in Norfolk, Chesapeake and Portsmouth, Virginia.

The NCP Community Development FCU will serve the 41,051 people who live, work, worship, go to school, and entities located in a 7.9 square mile area that falls within established Enterprise Zones in the three cities.

The communities border on the historic Elizabeth River, site of famous shipyards and naval bases. There is only one bank branch serving these low-income neighborhoods, which include several

public housing projects.

"The economic impact of this new credit union for this underserved area has the potential to be enormous," commented NCUA Chairman Norman E. D'Amours. "The need here is so great. We are extremely optimistic that with the full support of the three cities and of the credit union community, NCP Community Development FCU will be a success story for years to come," D'Amours said.

When the credit union opens for business, it will provide financial transaction and payment services, financial counseling, loans, and small business capital enhancements



Jan. 18 — Region II Director Tawana James (center) presents the charter to NCP Community Development FCU Chairman Dr. Hugo Owens, Sr. (left) and President Jesse Fleming during a Martin Luther King Day celebration in Norfolk.

Skiles Selected to Head Region V



J. Leonard Skiles

The NCUA Board selected J. Leonard Skiles in February to head the Austin regional office. After serving nearly 10 years as president of the Austin-based Asset Management Assistance Center, Skiles assumes the position left vacant when Phillip Crider retired at year end 1998.

"We are fortunate to have a person of Len's caliber as a part of our management team," Chairman D'Amours said of the appointment. "Time and time again he has demonstrated versatility and team-building skills."

In recent years, Skiles has handled a number of special assignments. Most notably, he chaired NCUA's Office of Personnel Management Task Force and the Field of Membership Task Force. He

also was acting NCUA executive director briefly last year.

As director of the Austin regional office, Skiles returns to a role he held during most of the 1980s. As regional director, he is responsible for managing NCUA's supervision and examination program for the federal credit unions in Arizona, Colorado, Iowa, Kansas, Minnesota, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, and Texas.

Len Skiles joined NCUA as a staff attorney in the General Counsel's office in 1973. He was named deputy general counsel in 1975 and in September 1980 was first named director of the Region V office in Austin.

Prior to joining NCUA, Skiles was an infantry commander, judge advocate, and special court martial judge in the United States Marine Corps. He holds AB and JD degrees from the University of Georgia.

1998 Midyear Statistical Report Available

The 200 page June 30, 1998, statistical report that combines the call report data submitted by all federally insured credit unions in numerous tables, charts and graphs is available for distribution. Among the data provided are graphs illustrating 5-year trends in assets, membership, loans and shares, capital and delinquency. Many tables provide a 3-year history by peer groups and detailed balance sheet data is also provided by state. A list of the 100 largest credit unions is also included.

The 1998 *Midyear Statistical Report for Federally Insured Credit Unions* is available for \$5.50 from the NCUA Distribution Center at 703-518-6340. The report is also available on NCUA's web site — www.ncu.gov.

BOARD ACTIONS JANUARY 28, 1999

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who live, work, worship, and attend school, and the businesses and other legal entities in El Paso County, Texas. The \$79.7 million low-income credit union is changing its charter to serve the potential 591,610 people in El Paso County.

Wheatland FCU, Lancaster, Pa., gained NCUA Board approval to convert from a multiple group to a community charter. The \$30.6 million credit union can now serve the potential 423,000 people who live, work, worship, and attend school, and the businesses and other legal entities located in Lancaster County, Pa.

Expansion Request

The NCUA Board approved, by a two to one vote, a charter expansion request from community-based **First Service FCU**, Groveport, Ohio. First Service FCU has \$39.5 million in assets and is expanding its community charter to serve the people who live, work, worship, attend school, and businesses and other legal entities in Franklin County, Ohio. First Service FCU is expanding to serve a potential 1 million members.

Veteran Federal Regulator Joins Region II



Bobbie Jean Norris

The NCUA Board, on February 24, 1999, selected FDIC official Bobbie Jean Norris to direct in-house operations for the Capital regional office based in Alexandria. Ms. Norris has been the national coordinator for the FDIC's Office of Consumer Affairs since 1996, and was deputy director of the office from August 1994 to November 1996.

As Associate Regional Director of Operations, Ms. Norris will be responsible for managing the Divisions of Insurance, Supervision, Special Actions, and Administration.

In announcing the Board's selection,

Chairman Norman E. D'Amours commented that, "Ms. Norris was selected based on her broad range and length of experience in regulating financial institutions. She has demonstrated the exceptional leadership skills needed for this position, and we are confident that she will bring a fresh perspective to the agency."

Ms. Norris has 22 years of field, regional, and central office experience at four financial regulatory agencies and one government-controlled corporation, including 10 years of management experience. She is well-known for her vision, quick and strategic decision making skills, and her ability to communicate, motivate and influence others.

Bobbie Jean Norris has a degree in finance from the University of Georgia in Athens.

LEGISLATIVE UPDATES

NCUA Takes a Pass on “Know Your Customer”

Although all the other federal financial institution regulators issued proposed “Know Your Customer” regulations in December, NCUA declined to issue a KYC proposal at that time because of concerns about the regulatory burden on credit unions and the potential for privacy concerns among credit union members.

At a hearing held by the Commercial and Administrative Law Subcommittee on March 4, witnesses and members of Congress strongly objected to the KYC proposal. While most agencies were reluctant to report their decisions about the future of the rule until after the comment period ended on March 8, Comptroller of the Currency John D. Hawke stated, “In my judgment, the rule should be promptly withdrawn.”

As of the hearing date, March 4, the FDIC had received over 175,000 comments on the proposal, most of them raising concerns about the invasion of privacy. Other agencies have also received thousands of mostly negative comments on the proposal. Given the intense public and Congressional opposition, it seems likely that the other agencies will withdraw the KYC proposal.

The House Banking Committee added an amendment to the financial modernization bill on March 4 that would

prohibit the agencies from finalizing the current proposal. One day later, the full Senate unanimously passed a resolution urging the agencies not to go forward with the KYC regulation.

Markup Scheduled on Bankruptcy Bills

Bankruptcy reform legislation is off to an early start in the 106th Congress. The Administrative Law Subcommittee of the House Judiciary Committee held a series of hearings in March on bankruptcy bill H.R. 833 and scheduled a markup for March 24.

Introduced February 24 by Subcommittee Chairman George Gekas (R-PA), H.R. 833 is identical to the House-Senate compromise version of the bill in the 105th Congress.

The Senate is also moving quickly on bankruptcy. A Judiciary Committee mark-up and a Banking Committee hearing is set for March 25. The Senate bill, S. 625, was introduced March 16 by Senators Robert Torricelli (D-NJ) and Charles Grassley (R-IA). S. 625 would give judges more discretion than HR 833 to determine which debtors may file under Chapter 7.

BOARD ACTIONS

MARCH 18, 1999

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- credit unions designated low-income as defined in NCUA's *Rules and Regulations*.

Hedging Investment Pilot Approved

The Board has approved the first request from a federal credit union to permit the hedging of assets or liabilities using swaps and options under the investment pilot program outlined under Section 703.140.

The purpose of NCUA's pilot program is to gain information on innovations which could be used to revise Part 703 and develop methods to aid examiners to evaluate an expansion of authority under this regulation.

Mid-States Corporate Receives National FOM

The National Credit Union Administration Board approved a request from **Mid-States Corporate FCU** for a national field of membership. Currently, Mid-States' field of membership has a potential of 3,251 member credit unions located in 9 states.

According to Mid-States, it does not plan to aggressively market the national field of membership (FOM) but intends to use it to provide transmission and settlement services for credit union clients of ICUL Service Corp., the CUSO in which Mid-States has part ownership.

ABOUT INVESTMENTS

Find NCUA Investment Guidance on the Web

Most of the investment guidance provided to examiners is available to you on the NCUA website at www.ncua.gov. To find out what is permitted by law, click on Reference Information at the NCUA Homepage. The Federal Credit Union Act and NCUA's Rules and Regulations are also located here.

Last year, the NCUA Board adopted a safety and soundness policy on investments. That policy is available to view and download from the Reference Information section by clicking on Letters To Credit Unions and then selecting Interpretative Ruling and Policy Statement

98-2 at www.ncua.gov/ref/letters/96-98letters.html.

The guidance that helps examiners apply this policy is also available under Letters to Credit Unions. It is called Interpretative Ruling and Policy Statement Examiner Guidance.

The segment on Automated Integrated Regulation Examination System (AIRES), which is used by examiners if they have safety and soundness concerns relating to investments, starts on page 30 of that paper. Current guidance to examiners on a variety of specific investment and balance sheet management issues is summarized and provided quarterly on the web under Investment Watch at www.ncua.gov/ref/investment.



February 23, 1999 – Board Member Yolanda Wheat and Senate Minority Leader Tom Daschle (D. S.D.) share a light moment after addressing the CUNA GAC conference.

CLF Cap Needs Adjusting

Chairman D'Amours asked Congress to remove the borrowing cap on the Central Liquidity Facility (CLF), when he testified before a House Appropriations Subcommittee on February 25, 1999.

The CLF is seeking the removal of the cap in order to meet possible liquidity needs resulting from member concern over Y2K, he told the subcommittee. Under the Federal Credit Union Act, the CLF is permitted to borrow up to 12 times its subscribed stock and surplus, or currently about \$18.5 billion. "While the \$600 million appropriations has in the past been adequate to address isolated liquidity needs in credit unions, this amount represents less than 3.25% of the \$18.5 billion which the CLF would be permitted to borrow under its enabling legislation," Chairman D'Amours told the Subcommittee.

The \$600 million limit was first included in appropriations legislation in 1980. At that time, \$600 million exceeded 12 times the subscribed stock and surplus of the CLF. "Clearly, Congress never intended to restrict the borrowing ability of the CLF to a level below the cap contained in the Federal Credit Union Act," D'Amours said. Despite the dramatic growth in credit unions and the increase in the CLF's subscribed stock since 1980, the appropriations limit has never been adjusted.

MEMBERS INCREASE IN 1998

Continued from page 1

loans now take a commanding lead as the largest single loan category, although new and used automobile loans combined remain the largest portion of the loan portfolio. Used automobile loans grew a fast-paced 11.4 percent, up from \$43.5 to \$48.4 billion during 1998, while new automobile loans declined from \$49.4 to \$47.9 billion, a 3.1 percent decline.

Delinquent loans declined 7.7 percent during the year, down from \$2.3 to \$2.2 billion, and the number of member bankruptcies declined 3.6 percent, down from 253,034 to 243,953. Across the board, delinquent mortgage loans declined in each category.

BOARD ACTIONS FEBRUARY 24, 1999

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1.32 or 1.33 percent, which could require another cash dividend to credit unions by year end.

Budget Funds Reprogrammed

The NCUA Board agreed to reprogram \$225,000 in the 1999 budget to purchase 45 new computers and printers. The majority will be state-of-the-art machines used to test the latest version of the AIREX examination program, while eight machines are slated for new examiner hires. The funds were originally designated to purchase new printers.

Charter Conversion Appeal Approved

By a 2-1 vote, the NCUA Board granted the appeal of \$85.6 million **Network Federal Credit Union**, Las Vegas, Nev., to convert from a multiple group to a community charter able to serve the 1.1 million people in Clark County, Nevada.

Granted under the old rule, IRPS 94-1, the charter conversion was originally denied at the regional level for lack of interaction. However, the NCUA Board believes the credit union provided evidence showing sufficient interaction to meet chartering policy requirements.

The amount of funds federally insured credit unions deposited into corporate credit unions grew from \$26 to \$37.8 billion, a 45.3 percent increase. Over \$7 billion was added to regular shares at federally insured credit unions during 1998 for a 5.8 percent increase from \$123.4 to \$130.6 billion. Share certificates grew 13 percent, up from \$76 to \$85.9 billion, and share draft accounts increased from \$35.8 to \$42.6 billion, an 18.8 percent increase.

For the first time, the call report collected data about E-mail and Web sites — 3,539 federally insured credit unions reported an E-mail address, 2,079 credit unions reported a web site, and 490 credit unions reported an interactive web site.

Expansions Granted — SEG Expansion Continues

Despite renewed attacks by the bankers, NCUA continues to approve field of membership expansions. From January 1 to March 19, 1999, under its new chartering and field of membership rule, the NCUA approved 3,803 expansions requests from 684 credit unions. These expansions will enable credit unions to serve an additional 294,950 potential members, for an average 78 people per expansion. Seventy-one expansion requests were denied and 642 are deferred.

Changes Adopted and Under Consideration

Since enactment of the *Credit Union Membership Access Act*, NCUA has been busy issuing rules to implement the Act. On September 23, 1998, the NCUA Board adopted an interim final member business loan rule. The comment period on the interim rule ended on January 29, 1999. The revised *Chartering and Field of Membership Manual* was issued on December 17, 1998. Also on this date, the NCUA Board approved the release of proposed amendments to the Supervisory Committee Audits and Verifications regulation for a 60-day comment period.

The prompt corrective action section of the *Credit Union Membership Access Act* requires that we develop new rules pertaining to credit union capital levels, separate risk-based capital standards for complex credit unions that engage in higher-risk activities, separate rules for new credit unions that have been in operation less than 10 years and have less than \$10 million in assets, and policies addressing the requirements for credit unions that are inadequately capitalized.

A proposed regulation covering all but the risk-based capital standards will be issued by May 5, 1999, and a proposed regulation covering the risk-based capital standards will be issued sometime later in 1999.

In addition, changes to the call report to conform to GAAP are under development and will most likely go into effect by the third reporting period of 1999.



TEOTWAWKI - The End of the World as We Know It???

As financial institutions enter the final phases of their Year 2000 remediation efforts, a new challenge has emerged that threatens to be potentially more harmful than Y2K itself — Unfounded, Irrational, Fear of Y2K.

The chairman of President Clinton's Commission on Year 2000 Conversion, John Koskinen was recently quoted in a New York Times article as saying, "as it becomes clear our national infrastructure will hold, over-reaction becomes one of the biggest remaining problems."

The acronym, TEOTWAWKI - "the end of the world as we know it" - has become a mantra for Y2K fear mongers, Y2K Internet discussion groups, and commercial entities hoping to profit from Y2K. As the mainstream media coverage of the Year 2000 increases, reports of survivalists predicting the end of society abound - stories of individuals who prepare for the Year 2000 by increasing rounds of ammunition out-number stories about successful testing efforts. Even Hollywood is getting into the action as it prepares two films that are based on Year 2000 scenarios.

Credit unions must counter the negative messages that members may hear. It is critical that all credit unions engage in maintaining accurate member perception. Member education is central to this process. Even members who receive Year 2000 statements from their credit unions and read about Year 2000 in monthly newsletters may develop concerns as the general public's Year 2000 anxiety increases.

Credit unions should have a plan in place that outlines all aspects of Year 2000 member communication. Member service representatives should have information to provide members who inquire about the credit union's Year 2000 readiness. Point people should be

established as contacts for more inquisitive members. The credit union's Year 2000 efforts should be publicized - successful testing, participation at industry events, etc. Members should also be provided with reliable alternative sources of information, such as the President's Council on Year 2000 Conversion's Web site (www.y2k.gov), NCUA's Web site (www.NCUA.gov), and other sources the credit union believes would be helpful.

Countering Y2K fear requires an industry effort. Credit unions can play their part by sharing their success and ensuring that all interested parties are kept informed of the solid Year 2000 position that credit unions maintain.



NCUA, February 18, 1999 – Board Member Dennis Dollar (right) meets with the CUNA committee formed to challenge credit unions to seek new ways to serve more members and create a process to capture and communicate community outreach programs that emphasize cooperative philosophy and principles. The Project Differentiation Committee members are Chuck Nagel, CUNA Small Credit Union Task Force president; Nancy Pierce, CUNA chairman; Pat Brownell, CUNA Credit Union Development VP; and Mary Cunningham, CUNA Credit Union manager.

NCUA News

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